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## Fifth Committee

**Summary record of the 17th meeting**
Held at Headquarters, New York, on Monday, 5 December 2016, at 10 a.m.

*Chair:* Ms. King ..... (Saint Vincent and the Grenadines)
*Chair of the Advisory Committee on Administrative and Budgetary Questions*: Mr. Ruiz Massieu

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*The meeting was called to order at 10.05 a.m.*

**Agenda item 134: Programme budget for the biennium 2016-2017** (*continued*)

*Enterprise resource planning* project (A/71/180, A/71/390 and A/71/628)

1. **Mr. Takasu** (Under-Secretary-General for Management), introducing the eighth progress report of the Secretary-General on the enterprise resource planning project (A/71/390), said that significant progress had been made in implementing Umoja in 2016. In July, the service delivery functionality had been deployed in all peacekeeping and special political missions; in August, the module for producing financial statements for peacekeeping operations, starting with the period ending 30 June 2016, had been launched; in October, an electronic functionality to facilitate information exchange with vendors for automated order and invoice processing, as well as a functionality for preventive maintenance of equipment, under Umoja Extension 2, had been completed; and, in November, the project had been deployed in cluster 5, covering 11,600 national staff and 6,800 individual uniformed personnel, and phase 1 of the changes to the International Civil Service Commission (ICSC) compensation package had been completed. The Umoja user base had consequently expanded from approximately 23,500 to 42,200 across 400 locations worldwide, representing 98 Secretariat entities.

2. Umoja was a fully integrated, enterprise-wide solution that ensured harmonization of policies and practices across the United Nations. After decades of working in administrative silos, entities were working closely together and the employee self-service functionality had been widely adopted. The strong commitment of the Secretary-General and senior leadership, robust governance, and effective project and change management had contributed to the successful deployments to date and would be critical for managing the remaining deployments. Valuable recommendations had been made by oversight bodies; the Board of Auditors, in particular, had recognized the global implementation of Umoja as a significant achievement. While acknowledging the complexity of the challenges posed by the roll-out, the Board had focused on the responsibility of business units for ensuring user adoption. Of the 16 extant recommendations from its previous reports, 2 had been fully implemented, 13 were in progress and 1 had been closed by the Board.

3. The Secretariat's fragmented administrative structure had posed a challenge to the deployment of standardized business practices, particularly in the diverse entities comprising clusters 3 and 4. The Umoja post-implementation review task force had developed 67 recommendations aimed at resolving those issues, 53 of which would be implemented by the end of 2016 and 14 of which were continuous improvements to be addressed over time. With stabilization now ongoing, efforts were being mobilized to implement Extension 2 functionalities by the end of 2018, in line with General Assembly resolution 70/248 A. The report outlined the deployment plan for the full scope of Extension 2, including budget formulation; supply chain management; conference and event management; force planning; and fostering relationships with donors and implementing partners. The related processes had been grouped logically to ensure that the mandated deadline was met, in line with a measured, risk management approach. The plan also covered the implementation of the remaining changes to the ICSC compensation package and a major software upgrade planned for 2017-2018.

4. The Secretary-General was cognizant of the significant financial and political investment of Member States in Umoja. The project had, for the first time, brought real-time visibility to global data on finance, personnel, business partners, real estate, inventory and purchases. Through its implementation, the Organization was harmonizing business processes, redefining roles and responsibilities, and reducing duplication of work. The qualitative benefits achieved included the improvement of personnel administration and time management; the simplification of staff movements; a reduction in bank accounts and funds remittances; the elimination of inter-office vouchers and settlements; and the consolidation of systems contracts and global supplier databases. The quantitative benefits realization methodology had been reviewed with process owners in the light of experience gained in using Umoja, and the report provided an objective, bottom-up assessment of the benefits realized across the different functional pillars, including efficiency gains relating to human resources, financial and travel arrangement processes, global supplier management, early payment discounts, and the

phase-out of legacy systems. In addition, the quantitative benefits envisaged under the programme budgets for 2018-2019 and 2020-2021 and peacekeeping budgets for 2017/18 and 2020/21 had been determined; cumulative benefits would amount to $163.7 million by 2019 and $205.5 million by 2021, after the stabilization of Extension 2 supply chain management.

5. At the recommendation of the Advisory Committee on Administrative and Budgetary Questions, the General Assembly had authorized the Secretary-General to postpone the downsizing of the Umoja project team until 31 December 2016. The report contained proposals for gradual downsizing and reprofiling of positions, which were closely linked to resource requests, in order to ensure the transfer of knowledge from external consultants to staff and to restructure the project staff to meet the functional and technical requirements of Extension 2 projects. While progress had been made in that regard, more needed to be done to consolidate knowledge and skills among a reduced number of staff with a view to ensuring sustained future support for the project.

6. Resource requirements had been estimated in the sixth progress report (A/69/385) at $129,386,000 for the biennium 2014-2015 and $54,291,700 for the biennium 2016-2017. However, as indicated in the fifth progress report (A/70/369, A/70/369/Corr.1 and A/70/369/Corr.2), a number of unforeseen activities had had to be undertaken in 2015, particularly relating to post-implementation support for cluster 3, the enhancement of training activities, preparation for deployment in cluster 4 entities and software changes that had not been envisaged in the original estimates. Consequently, many Extension 2 activities had been delayed, resulting in underexpenditure of $17,867,500. Owing to extended stabilization efforts undertaken in 2015 and early 2016, additional resources in the amount of $26,811,400 would be required for the biennium 2016-2017, to be apportioned in accordance with the approved cost-sharing arrangement as follows: approximately $4 million from the regular budget for 2016-2017; $16.6 million from the support account for 2017/18 and $6.2 million from extrabudgetary resources during 2017. Under the workplan established for 2016-2018, current resources would not be sufficient to cover the financial obligations for the project in March 2017. Moreover, without the additional resources requested, it would be difficult to fulfil the financial commitments required for the development of Extension 2 functionalities in early 2017 to ensure their completion by 2018, and skilled personnel would be more likely to withdraw from the project prematurely.

7. Umoja implementation would not be complete without the deployment of Extension 2. Notwithstanding the ambitious timetable for its deployment and concurrent projects involving new functional and technical tools planned for 2016-2018, he remained confident that, with the support of the General Assembly, senior leadership and the dedicated project team, implementation could be concluded in a timely manner.

8. **Mr. Mkumba** (Chair of the Audit Operations Committee of the Board of Auditors), introducing the fifth annual progress report of the Board of Auditors on the implementation of the United Nations enterprise resource planning system (A/71/180), said that Umoja was an ambitious global project intended to modernize business processes and systems spanning most of the Organization's administrative and support functions, and was thus essential to its efficient and effective functioning. As at 31 December 2015, project expenditure had been $374.1 million, 98 per cent of the approved budget of $385.1 million, which had been increased by $54.3 million in January 2016 to a total budget of $439.4 million up to the end of 2017.

9. Umoja remained central to the successful reform and modernization of administrative services at the United Nations, and the achievement of global deployment had introduced a step change in technology and offered a platform to support wider business transformation initiatives, including the global service delivery model. The Administration must nevertheless demonstrate that it could realize the financial and service delivery benefits promised. At the time of audit, the Board had expected that additional funding would be required and that the Administration would need to take difficult decisions and make major revisions to existing plans in consultation with Member States. In that regard, to better control the project's growing costs, the Board recommended that the Administration should conduct a thorough review of current plans and priorities to develop fully costed options for delivering the remaining scope.

10. Umoja Integration (Foundation and Extension 1 functionality) had now been deployed in four clusters, representing over 33,000 users globally, including nearly 17,500 employee self-service users. While improved readiness assessment procedures had identified a number of risks to successful implementation prior to deployment in clusters 3 and 4, those risks had been deemed outweighed by the risks of delaying deployment. In that connection, when asked in a post-deployment survey whether they had been ready for the project to go live on 1 June 2015, 47 per cent of cluster 3 users had indicated "strongly disagree" or "dissatisfied," while 49 per cent of cluster 4 users had responded similarly when asked the same question in a pre-deployment survey.

11. Training needs had not been rigorously assessed and users had been inadequately trained prior to deployment, with an average of 53 per cent of planned training events having been completed at each location prior to go-live. While the Administration had been unable to confirm, at the time of audit, whether individual users had received all of the training required to perform their roles, it had since informed the Board that it had developed business intelligence reports providing detailed training statistics.

12. Although problems with Umoja had been expected and mitigation measures had been put in place, the scale of the issues reported in 2015 had exceeded the Administration's capacity to respond. Despite the fact that, by March 2016, all of the Umoja team's software business analysis capacity (64 staff) had been dedicated to post-deployment support and an additional 14 consultants had been contracted to provide temporary assistance, a lack of business analysis skills in key areas, including financial accounting, funds management, travel and payroll, had prevented the Administration from resolving problems promptly. In that regard, although operations had been largely stable at the time of audit, a number of severe difficulties had been reported upon implementation. More than 400 issues had been reported by clusters 3 and 4, including high volumes of open items, delayed or blocked payments, items held in suspense, the need for highly inefficient manual uploads of data, and the lack of business intelligence reports, including donor reports. Particularly serious complaints had been received from users at entities with extensive field operations, some of whom had experienced major disruptions to their work. The Administration had identified 67 high-level issues on the basis of the problems reported, of which it considered 11 to have been resolved. Furthermore, although the availability of consolidated, up-to-date financial performance information from across the Secretariat had been described has a major benefit of Umoja, weaknesses in the business intelligence reporting functionality had been identified as a critical issue by cluster 3 and 4 entities, and there had been limited progress in developing plans to utilize the improved information available in the system. In that regard, notwithstanding the availability of over 1,000 reports in Umoja, users' uncertainty with regard to which reports were available or which to use had resulted in over 400 requests for management information and other reports.

13. The Administration did not have an up-to-date and fully costed plan to deliver the project's remaining scope that also took into account other concurrent priorities, including the need to stabilize and enhance Umoja functionality for clusters 3 and 4; decommission the legacy asset management system, Galileo; implement the changes to conditions of service proposed by ICSC; to deploy cluster 5; build and deploy Extension 2; and mainstream Umoja technical and business support. Furthermore, the budgetary impact of addressing those challenges had not been fully assessed at the time of audit and the Administration was overly reliant on a small number of key staff to carry out the related work. Deployment in cluster 5 and the development of Extension 2 had also fallen behind schedule.

14. The activities relating to the deployment of Umoja Foundation and Extension 1 had consumed most of the project budget. Although funds had been moved between objects of expenditure and some implementation costs had been shifted to departments, their ability to continue to absorb indirect costs was unclear, particularly as the level of such costs was not centrally monitored. The Administration remained committed to realizing cumulative benefits of between $140 million and $220 million by 2019. However, there was no agreed methodology for realizing benefits and the Board had been unable to validate the realized tangible benefits reported to the Advisory Committee in September 2015. A budget reduction target of $81.4 million had been agreed centrally for 2017, to which departments had been asked to contribute by seeking opportunities for budget reductions arising

from frozen posts, abolished posts and non-post reductions. The lack of baseline performance data nevertheless increased the risk that reductions had been agreed on the basis of departments' willingness to absorb them, rather than on a reliable assessment of actual benefits realized.

15. The Administration had agreed on new software requirements arising from changes to staff service conditions but would be unable to deploy the upgraded software by the deadlines mandated by the General Assembly. In addition, some business units had demonstrated increased commitment to project delivery, including the Department of Field Support, which had assumed responsibility for leading deployment in cluster 5. Lastly, although detailed plans for mainstreaming Umoja and robust estimates of future support and maintenance costs had not yet been produced, the total cost of project ownership over 15 years, including capital and maintenance costs, was likely to exceed $1 billion.

16. The Board had made 38 recommendations since it had begun auditing the project in 2012. Of the 16 outstanding recommendations, 2 had been fully implemented, 8 were under implementation, 5 had not been implemented and 1 had been closed by the Board. Those not implemented or under implementation related primarily to the need for greater clarity regarding the benefits of Umoja and the change management actions required to deliver them. Lastly, the report contained five new recommendations aimed at maximizing the chances of successfully completing the project.

17. **Mr. Ruiz Massieu** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/71/628), said that the Secretariat-wide deployment of Umoja Foundation and Extension 1 was a major achievement for the United Nations.

18. The serious issues that had emerged following each major Umoja deployment had required extensive stabilization efforts and had resulted in delays and cost overruns. To avoid lengthy stabilization periods, it would be critical to take into account lessons learned from previous deployments in preparing future roll-outs, as well as to ensure strong project management and proactive measures to address implementation challenges in order to avoid delays.

19. Having consistently expressed its support for delivering the project's full scope in the best interests of the Organization, as approved by the General Assembly in its resolution 63/262, the Advisory Committee welcomed the proposed implementation of the remaining Extension 2 functions and processes by the end of 2018, in line with the timetable approved in General Assembly resolution 67/246, and recommended that implementation should proceed according to the plan proposed by the Secretary-General. It also welcomed the Secretary-General's proposals for the restructuring and gradual downsizing of the Umoja project team, including the proposed reduction in the number of senior level posts, which would result in a less top-heavy post structure and support the transfer of knowledge from consultants to staff. In that regard, efforts should be made to reduce dependency on contractual services, which represented a large proportion of project costs. A more robust business case reflecting actual efficiencies and benefits achieved should be developed for the project. In that regard, the Secretary-General should be requested to update the business case, which was based on an assessment of potential benefits undertaken in 2009 and 2011.

20. The Advisory Committee was disappointed that little progress had been made in responding to the Assembly's requests to maintain a detailed accounting of indirect costs and conduct an analysis of the total cost of ownership of Umoja. It further noted that the Secretary-General's proposals would bring the overall budget for the project, since its inception in 2008 until the end of 2018-2019, to $544 million, representing an increase of 23.8 per cent over the current approved budget. Given the project's magnitude, greater transparency with regard to total costs would be essential to allow the Assembly to make an informed decision on the resource requirements proposed and to provide it with adequate assurance that costs could be brought under control over the remaining implementation period. The Assembly should therefore request the Secretary-General to submit, for consideration at the second part of its resumed seventy-first session, an analysis of the total project costs, including the indirect costs borne by implementing entities, as well as an updated business case. Pending the Assembly's consideration of those items and taking into account the information provided to it on the

availability of project resources as at 1 November 2016, the Advisory Committee recommended that the Assembly should approve 50 per cent of the proposed net additional revised requirements for 2016-2017 to provide for the funding of the project until further decision by the Assembly at the second part of its resumed seventy-first session.

21. **Ms. Wairatpanij** (Thailand), speaking on behalf of the Group of 77 and China, said that the Group reaffirmed its support for management reform initiatives, including Umoja, aimed at increasing the efficiency and effectiveness of the Organization. The deployment of Umoja Foundation and Extension 1 represented significant progress towards replacing fragmented business processes and information systems with a common, integrated system and was expected to provide a platform for further improvements in the Organization's operations, including by supplying more robust data to support decision-making, streamlining business processes, and increasing transparency with regard to costs and resource utilization.

22. Owing to the need for extensive efforts to support post-deployment stabilization and resolve organizational preparedness issues following each major deployment, multiple revisions had been made to the project timetable with an impact on the overall budget, despite the Board of Auditors' emphasis on the need to achieve organizational and business readiness prior to deployment, implement change in an effective, planned manner, and develop contingency plans to mitigate risks. The challenges faced had included a delay in the implementation of the new common system compensation package, which should have entered into force in July 2016, resulting in a postponement of the implementation of the proposed unified salary scale and changes to the education grant, as well as a three-month delay in the finalization of financial statements beyond the typical July processing period, which had affected the programme of work of the Advisory Committee and the Fifth Committee.

23. Lessons learned from previous phases of implementation should be applied in the future. In particular, given the adverse impact of the ambitious deployment schedule, particularly on training, the Group would closely examine the proposed implementation timelines and justifications for the subsequent phases of the project. It would also seek further information on plans to strengthen in-house capacity and expertise with regard to Umoja in order to support a successful transition to the new system, as well as on plans to restructure the Umoja team to facilitate the transfer of knowledge from consultants to staff and to reduce dependency on contractual services.

24. The Group noted the differing opinions expressed in the reports before the Committee with regard to benefits assessment and regretted that no benefits realization plan had been presented to Member States. Benefits should be assessed on the basis of actual efficiencies and objectives achieved, rather than artificial budget reduction targets, and a robust business case must be made for the project, which was one of the largest and most expensive business transformation initiatives ever undertaken by the Organization.

25. The Group was disappointed at the limited progress made in responding to the Assembly's requests for a detailed accounting of indirect costs absorbed by departments and an analysis of the total cost of ownership, a critical element for informed decision-making by the Assembly. More refined analysis of project expenditures and deliverables should also be provided, and all Umoja operating, maintenance and support costs should be included in the project budget and transparently reflected in the total cost of ownership analysis, regardless of where such costs were budgeted. Lastly, strong project governance should be ensured and complete, transparent and holistic accounting should be maintained for the resources committed by Member States.

26. The Group looked forward to discussing the proposal for the implementation of Extension 2, taking into account lessons learned from previous phases, with particular attention to organizational readiness, project management, and the need for proactive measures to address the challenges and risks inherent in the implementation schedule. With regard to resource requirements, the Group questioned the rationale for the substantial budget increase proposed, particularly given the inadequate transparency with regard to total project costs and the lack of an updated business case that reflected actual efficiencies and benefits achieved. Lastly, the Group supported the delivery of the project's full scope in the best interests

of the Organization, in order to protect the considerable investment made by Member States and realize the full benefits of the project.

27. **Ms. Baumann** (Switzerland), speaking also on behalf of Liechtenstein, noted with appreciation the progress achieved in implementing Umoja, particularly given the size and complexity of the project and the initial challenges encountered. Now implemented Secretariat-wide and operational for more than 40,000 staff, Umoja represented a modern administrative solution that would enable the efficient and transparent management of the Organization's resources and play a key role in the reform and modernization of its administration, thereby generating major benefits for the United Nations and Member States.

28. The implementation of Extension 2 should be a priority, as it would integrate key administrative strategic processes such as budget formulation, programme management and supply chain planning into the system and was expected to deliver the main share of the financial benefits from the project. In addition, the Secretary-General must balance the two imperatives of the implementation schedule and the need for organizational readiness, since failure to respect either entailed risks. Ultimately, the technical deployment of the system was less important than the successful re-engineering of business processes and the realization of a lasting cultural change throughout the Organization. The Administration should therefore develop prioritized and fully costed options to deliver the remaining scope of the project; heads of business units must provide necessary user training; and support must be provided for business units' implementation efforts in order to realize the benefits of enhanced working methods. Lastly, she underscored the critical importance of the qualitative benefits of Umoja, including better quality and availability of information, enhanced transparency, and better informed and more accountable decision-making, which would contribute to a more efficient, effective and coherent Organization.

29. **Ms. Grant** (Observer for the European Union), speaking also on behalf of the candidate countries Albania, Montenegro, the former Yugoslav Republic of Macedonia and Turkey; the stabilization and association process country Bosnia and Herzegovina; and, in addition, Armenia and Georgia, said that her delegation strongly supported enterprise resource planning at the United Nations, a large-scale initiative that, beyond its technological aspects, required changes to working practices, skill bases and organizational culture with a view to improving efficiency, accountability and delivery of front-line mandates.

30. While deployment had advanced considerably and significant progress had been made, including in strengthening project management and identifying the benefits realized, her delegation would seek further information on the Secretariat's plans to ensure staff preparedness and training ahead of future deployments and to promote smoother and shorter stabilization periods, drawing on lessons learned from previous deployments. Noting with concern the slippage in the project schedule and cost overruns, she would also seek further information on the project's growing cost implications and efforts undertaken to control costs, including through a robust risk management approach.

31. The European Union attached great importance to the implementation of Extension 2, including functionalities related to supply chain management, budget formulation, programme management, conference and event management, and force planning. The improved quality of data provided by such functionalities would greatly assist the Secretariat and Member States in decision-making. Umoja would play a critical role in reforming the Organization's administration; implementation of its full scope was necessary to protect the investment of Member States and realize the full benefits of the project. As United Nations staff were both agents and beneficiaries of the project's implementation, senior leaders must hold managers to account for their cooperation with Umoja teams.

32. **Mr. Upadhyay** (United States of America) said that Member States had rightly expressed concern at the lack of a clear end-state vision, benefits realization plan, strong leadership buy-in, adequate project governance, management and transparency with regard to Umoja implementation, as well as at the resulting budget overruns and schedule delays. The project was nevertheless on track: most issues arising from implementation in clusters 3 and 4 had been resolved, a plan for deployment in cluster 5 and the implementation of Extension 2, as well as for the subsequent mainstreaming of the project, had been established, and

the Secretary-General had provided credible details regarding expected benefits.

33. His delegation was disappointed that additional resources were being requested when no attempt had been made to offset the related requirements through benefits realization; the Secretariat was encouraged to explore such possibilities before requesting additional resources. While his delegation supported the continued implementation of the project, greater efforts must be undertaken to manage the related financial requirements, given the significant investment already made. He therefore encouraged continued efforts to control operating costs and, in that regard, was studying the Advisory Committee's recommendations closely, as some of them might inadvertently hinder the further implementation of the project. Lastly, given the critical role of Umoja and the global service delivery model in enabling the Organization to tackle complex global challenges in an efficient and effective manner, he expected that the benefits from those initiatives would justify the time, effort and resources invested.

34. **Mr. Khalizov** (Russian Federation), noting the significant challenges that had been experienced in the transition to Umoja, said that the substantial increase in the final cost of the project reported by the Secretary-General did not reflect the indirect costs incurred, which had not been calculated. He was particularly concerned that Umoja had not been ready for the implementation of the Assembly's decisions on the ICSC recommendations on the common system compensation package, and it was unacceptable that that situation had been concealed by the Secretariat and only reported to Member States several months after the adoption of General Assembly resolution 70/244. The normal operation of the Organization had been placed in jeopardy, a serious incident that cast doubt on the system's ability to adapt to new requirements that might be imposed by the intergovernmental bodies of the United Nations.

35. Particular attention must be paid to benefits realization. His delegation shared the concern of the Board of Auditors and the Advisory Committee that the budget reduction target had been agreed centrally and that departments had been asked to identify how they could contribute to achieving that target by identifying opportunities for budget reductions. That approach amounted to a pseudo-methodology for realizing benefits that did not meet the requirements or expectations of Member States. His delegation therefore shared the Advisory Committee's view that urgent measures must be taken to conduct an analysis of the total costs and benefits of the project and to draft a more realistic business case.

36. **Mr. Takasu** (Under-Secretary-General for Management) said that, despite the difficulties encountered, the project was on track for successful completion. One year earlier, it had been unclear whether the Secretariat had the capacity to complete Extension 2; he was now confident that it could be implemented in a timely manner.

37. Umoja was a project of unprecedented size and scope that required the harmonization of practices across all United Nations entities, each of which had developed its own administrative processes and silos. Indeed, the software vendor for the project, SAP, had indicated that it had never encountered a customer with needs as complex as those of the United Nations. Consequently, the efforts undertaken to train staff, while extensive, had been inadequate, and the initial estimate of six months for post-deployment stabilization had been inaccurate; a minimum of 12 months was required for an organization the size of the United Nations. Although the initial timetable had been overly ambitious, it was essential to maintain momentum by ensuring adequate capacity and a clear timeline to avoid overburdening staff. While further extensions to the timetable might facilitate implementation, there was a limit to the amount that Member States were prepared to pay for the project. He was nevertheless confident that the schedule established for the period from 2016 to 2018 would be feasible with the full support of Member States.

38. The General Assembly had decided that indirect costs for activities such as data cleansing would be absorbed by departments as part of their normal operational responsibilities. Although that approach made it difficult to establish clear estimates of indirect costs, he stood ready to provide further information in that regard in informal consultations.

39. The benefits realization methodology presented in section V of the Secretary-General's report (A/71/390) differed significantly from that of previous years and was not based merely on the establishment of a political budget reduction target to be distributed

across organizational entities. The long-term cumulative benefits of the project should be considered in the perspective of the opportunity costs of implementing Umoja. In that regard, a more comprehensive cost-benefit analysis of the project would be presented in informal consultations.

40. He regretted that the Secretariat had failed to inform Member States of the technical preparations required to implement the ICSC compensation package and underscored the need for the Secretary-General to ensure that the operational requirements and financial implications of all such initiatives were made clear before the related decisions were made.

41. Notwithstanding the reservations expressed regarding budget overruns, if the proposed resource requirements were not approved, the financial obligations for the project for 2017 could not be met and Extension 2 could not be implemented by 2018, thus incurring additional costs. The Assembly's timely decision on the additional proposed resources would also be required to ensure that the project team could be reprofiled by 1 January 2017 in preparation for the deployment of Extension 2.

*The meeting rose at 11.10 a.m.*